The Boots Company Ltd Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1973

Annual report for the year ended 31st March 1973

CONTENTS

DATES AND FACTS TO NOTE

Dividend and interest payments

Ordinary dividends Interim: Announced November. Payable January.

Ordinary dividends Final: Proposed May. Payable July.

6% loan stock interest: Paid 30th June, 30th September, 31st December and 31st March.

6¼% loan stock interest: Paid 1st September and 1st March.

7¾% loan stock interest: Paid 30th September and 31st March.

8% loan stock interest: Paid 31st July and 31st January.

Results

For half-year: Announced November.

For the year: Announced May.

Report and accounts: Circulated June.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 80p and of £100 6% loan stock was £90·37½.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of The Boots Company Limited will be held at 1 Thane Road West, Nottingham, on Thursday the 19th day of July 1973, at 12 noon.

The business of the meeting will be:

(a) To receive the directors' report and statement of accounts and the auditors' report thereon.

(b) To declare a final dividend.

(c) To elect directors.

(d) To fix the remuneration of the auditors.

(e) To transact any other business which may be dealt with at the annual general meeting.

NOTES

1. A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.

2. A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 21st June to 19th July 1973, during usual business hours, and on 19th July 1973 from 11.45 a.m. until the conclusion of the meeting.

3. No director of the company has a service agreement.

By order of the board,
H. T. MILNES,
Secretary.

Dated this 21st day of June 1973.

The directors would be glad to have an opportunity of meeting shareholders who will be attending. Refreshments will be served prior to the meeting from 11·15 a.m.

Board of directors

Chairman	G. I. Hobday
Managing director	D. E. M. Appleby
	J. H. Arkell, C.B.E.
	L. A. Coombs
	H. J. Hann
	B. Jefferies
	Lord Redmayne, P.C., D.S.O.
	A. D. Spencer
	M. J. Verey
	A. G. S. Wilkes
	F. W. Wright, M.P.S.
Secretary	H. T. Milnes
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank Ltd.

Report of the directors

The directors submit their eighty-fifth annual report to shareholders, together with the audited accounts for the year ended 31st March 1973.

Profits, dividends and retentions

The group profit and loss account shows a profit before taxation of £56,725,000 compared with £34,242,000 for the previous year, and a profit after taxation of £33,911,000 as against £19,699,000.

The profit after taxation attributable to the shareholders is £33,828,000 compared with £19,613,000 for the previous year.

The directors recommend the payment of a final dividend of 2·6425p per share, which together with its associated tax credit is equivalent to 3·775p per share gross dividend under the system of taxation operative before 6th April 1973. This dividend, together with the interim dividend paid on 2nd April 1973, makes a total gross dividend of 5·775p per share for the year. A larger dividend increase is precluded by the Government's Counter-Inflation measures.

The remainder of the group net profit after paying these dividends will be £25,560,000 which has been transferred to reserves.

Further details are shown on page 19.

Principal activity

The principal activity of the group is that of retailers of chemist and other merchandise, and the manufacture and wholesale distribution of pharmaceuticals, drugs, fine chemicals and toilet preparations. Fuller details are shown on page 6.

These accounts include the results of the Crookes group in the UK for the fifteen months to 31st March 1973, but the effect on the group trading results is not significant.

Overseas sales and profits before taxation contribute the following amounts to group results:

	1973		1972	
	Sales £m	Profits £m	Sales £m	Profits £m
Africa and Near East	4·9	·9	3·7	·5
Australasia	3·7	·4	2·6	·3
Asia	5·6	1·3	4·2	·7
Americas	·9	·3	·7	·2
Europe	7·1	1·6	4·5	·8
	22·2	4·5	15·7	2·5

Fixed assets

The directors are of the opinion that the market values of the properties of the group, which are all employed in the business, are substantially in excess of the net book value of £76,098,000 shown in the group balance sheet.

Details of movements of fixed assets are shown in note 9 on page 24.

Exports

Exports from the UK in the year amounted to £10,932,000.

Employees

The average weekly number of employees in the UK during the year was 60,334 which included 23,486 part-time staff. The aggregate remuneration paid to these employees was £52,675,000.

Charitable and political payments

Payments totalling £61,000 have been made during the year for charitable purposes.

A payment of £5,000 was made during the year to British United Industrialists.

Directors

Sir James Pitman, K.B.E., and Mr. W. R. Norman retired from the board on 6th October and 31st December 1972 respectively.

Mr. M. J. Verey retires by rotation in accordance with article 100 and offers himself for re-election. Mr. H. J. Hann and Mr. F. W. Wright were appointed to the board on 9th February 1973, and in accordance with article 107 retire and offer themselves for re-election.

The names of the directors and their interests in the share and loan capital of the company are shown on page 28. No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group business.

Auditors

The auditors, Messrs. Peat, Marwick, Mitchell & Co., are willing to continue in office and a resolution concerning their remuneration will be proposed at the annual general meeting.

By order of the board,
H. T. MILNES, Secretary.
21st June 1973.

Group highlights

for the year ended 31st March 1973

		increase over previous year
Net world sales Ventes mondiales nettes Netto Weltumsatz	£**368·1** million	**21·3**%
of which: dont: davon:		
Sales in the UK Ventes au Royaume Uni Umsätze innerhalb des Vereinigten Königreiches	£**345·9** million	**20·2**%
***Exports from the UK** Ventes exportées depuis le Royaume Uni Exporte aus dem Vereinigten Königreich	£ **10·9** million	**50·3**%
Sales by overseas subsidiaries Ventes filiales étrangères Verkäufe von überseeischen Tochtergesellschaften	£ **13·0** million	**35·7**%
Profit before taxation Bénéfice avant impôt Gewinn vor Ertragsteuern	£ **56·7** million	**65·7**%
Profit after taxation attributable to shareholders Bénéfice après impôt revenant aux actionnaires Anteil des Gewinns nach Ertragsteuern, der auf die Aktionäre entfällt	£ **33·8** million	**72·5**%
Earnings per share Bénéfice par action Gewinn pro Aktie	**19·0** p	
Dividends to shareholders Dividende proposé Dividenden an Aktionäre	£ **8·3** million	
Retained in the business Report à nouveau Einbehaltener Gewinn	£ **25·5** million	
Capital expenditure during the year Investissement de l'année Kapitalaufwand während des Jahres	£ **11·9** million	

*Includes £1·7 million to overseas subsidiaries
For further details see group financial record on pages 26 and 27

Principal companies

Parent The Boots Company Ltd. — Manufacturers and wholesale distributors of pharmaceuticals, drugs, fine chemicals and toilet preparations.

	Percentage held by Parent	Percentage held by Subsidiaries	Principal activities
Subsidiaries			
INCORPORATED IN GT. BRITAIN			
Boots The Chemists Ltd.	100		Retail chemists
Boots Pure Drug Co. Ltd.	100		Management company
Boots International Ltd.	100		Management company
Boots Farm Sales Ltd.	100		Agricultural and veterinary suppliers
Timothy Whites Ltd.	100		Retail houseware
Whites Property Co. Ltd.		100	Property holding
The Crookes Laboratories Group Ltd.	100		Manufacturing and wholesale chemists
Crookes Anestan Ltd.	100		Manufacturing and wholesaling of toilet preparations
Watts Brothers (Manchester) Ltd.	100		Wholesalers of hairdressers' requisites
British Saccharin Sales Co. Ltd.	51		Wholesalers of saccharin
INCORPORATED OVERSEAS			
Australia			
The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and wholesale chemists
France			
Les Etablissements C. David Rabot S.A.	92·5		Manufacturing chemists
Laboratoires Dacour, S.A.	92·5		Wholesale chemists
India			
The Boots Company (India) Ltd.	60		Manufacturing and wholesale chemists
Italy			
Boots-Formenti S.p.A.	55		Wholesale chemists
Kenya			
Kenya Overseas Co. Ltd.		100	Manufacturing and wholesale chemists
New Zealand			
Boots The Chemists (New Zealand) Ltd.	100		Retail chemists
Nigeria			
The Boots Company (Nigeria) Ltd.	100		Wholesale chemists
Pakistan			
The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and wholesale chemists
Singapore			
The Boots Company (Far East) Pte. Ltd.	100		Wholesale chemists
South Africa			
The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and wholesale chemists

All the above shares held are ordinary shares.
All the companies operate principally in the country of incorporation.

Directors and officers of principal subsidiaries

Boots The Chemists Ltd.

D. E. M. Appleby, Chairman

A. A. Binney
W. Cooper
R. N. Gunn
H. J. Hann
J. P. T. Hutchings, M.P.S.
W. D. Jarrett, M.P.S.
B. Jefferies
I. V. Mitchell
W. K. S. Moore, M.B., B.Chir.
A. G. Price, M.P.S.
K. Rickman, M.P.S.
A. P. Ridley-Thompson
T. B. Robson, M.P.S.
J. M. T. Ross, F.P.S.
W. Smith, M.P.S.
A. D. Spencer
T. M. Tannahill, F.P.S.
J. I. Thomson, M.P.S.
K. F. Whynes, M.P.S.
A. G. S. Wilkes
F. W. Wright, M.P.S.

H. T. Milnes, D. N. Edmundson, Joint secretaries

Timothy Whites Ltd.

D. E. M. Appleby, Chairman

T. K. W. Davies
B. Jefferies
J. A. Prescott, M.P.S.
A. D. Spencer

H. T. Milnes, D. N. Edmundson, Joint secretaries

Boots Pure Drug Co. Ltd.

D. E. M. Appleby, Chairman

E. L. Archer
G. Buxton
L. A. Coombs
S. A. Hibbert, M.P.S.
G. A. Hollows
B. Jefferies
S. A. B. Kipping
P. T. Main, M.D.
A. G. S. Wilkes
G. W. Woodings

H. T. Milnes, Secretary

Boots International Ltd.

D. E. M. Appleby, Chairman

L. A. Coombs
B. Jefferies
P. T. Main, M.D.
K. T. Robinson
A. G. S. Wilkes

H. T. Milnes, Secretary

An informal picture of Gordon Hobday, Chairman *(left)* with Douglas Appleby, Managing Director. Dr. Hobday, previously Managing Director, became Chairman on 1st January, 1973 and Mr. Appleby was previously Finance Director.

Statement by the Chairman

Dr. G. I. Hobday

In considering the results for the year ended 31st March 1973 we should have in mind the Government's actions which have affected the U.K. economic climate in which we have traded. First the main reflationary tax measures—reductions in the higher rates of purchase tax and raising the income tax threshold—created a continuing strong growth in consumer demand, and thus in the volume of retail sales, at a rate twice as fast as the average for the last ten years. Secondly, the adverse trends of price increases and pay claims and settlements necessarily brought about the standstill last November. Thirdly, the Budget of last March, broadly neutral in effect and with an emphatic commitment to the maintenance of faster economic growth and the control of inflation, defined the changes in the system of direct and indirect taxation, particularly the abolition of Purchase Tax and Selective Employment Tax and the introduction of V.A.T., which came into effect in April. Anticipation of the effects of these tax changes on prices undoubtedly gave an extra impetus to consumer spending towards the end of the year and we ourselves took an early initiative by reducing the prices of a wide range of merchandise both in January and again in March, for the immediate benefit of our customers.

Over the same period there have been strains in the international monetary system, affecting particularly the U.S. dollar and the pound, a pattern of rising interest rates and restraints upon the increase in the supply of money and a deterioration, temporary it is hoped, in the balance of trade between the U.K. and the rest of the world.

Against this background, in which the factors favourable to our business outweighed the adverse ones, we expected that the outcome would be good. In the event the progress which we reported after six months has been more than maintained. Total world sales for the year amounted to £368m., showing an increase of 21·3% over last year. By careful control of prices and costs the major part of this increase represents a real expansion in the volume of goods sold. We believe that much benefit is being derived from the trading policies and progressive merchandising techniques which the

Company follows to uphold its strong reputation for fair trading and good value. The results announced this year by other retail chains have almost without exception shown very good sales increases indicating the degree to which the shopping public have been spending the increased amount of money in circulation. We have had our full share of this increased expenditure with a substantial gain in addition as we have improved our market position against competition.

Profit and Taxation

Group profit before tax was £56·7m., an increase of 65·7%; from this taxation of £22·8m. has to be borne, thus leaving a net profit of £33·9m. After deducting the interests of minority shareholders in some of our overseas subsidiary companies, the profit attributable to shareholders was £33,828,000.

An Interim Dividend of 8%, restricted to that amount by the conditions of the Government Standstill imposed in November, was paid in April—the payment having been deferred from the usual date of January to obtain taxation relief on the transition to the new 'imputation' system. A Final Dividend, equivalent to 15·1%, is recommended, making the total for the year 23·1% which is the maximum allowed by the Government's Counter-Inflationary measures.

Retail Operations

For **Boots The Chemists** it has been a year of substantial progress and sales including dispensing increased by 19·3% following upon increases of 17% and 14% in the two preceding years. Counter sales in the second half of the year, which includes the all-important Christmas trading period, increased by no less than 23%. These figures represent real volume increases in that the Purchase Tax reductions announced in the 1972 Budget offset to a very large degree price inflation and other price increases. The figures reflect the benefits gained from an aggressive pricing and promotion policy throughout the year and support our belief that our customers are becoming increasingly aware of the range of our merchandise and the values we offer.

We have been reviewing recently the results of an 'image' study carried out for us by an independent professional organisation. There is a lot we can learn from the mass of data produced but we are pleased to find that the overall picture is encouraging. For instance the study indicates that about two-thirds of all women visit our shops every seven days and with our broadening range of leisure merchandise we are attracting an increasing number of male customers. One in ten of all our customers visits our branches in connection with our traditional dispensing service which remains the cornerstone of our business. Our customers have a high regard for the ever-widening range of Own Brand products which now account for approximately one-third of total counter sales.

Our continuing shop development programme contributed much to our good results. We have large new stores in Huddersfield, Ayr, Salisbury, Perth, Swindon, Stockton-on-Tees, Uxbridge and King's Lynn. The largest branch of the company at the Victoria Centre in Nottingham, which was mentioned in the report last year, has had a good year.

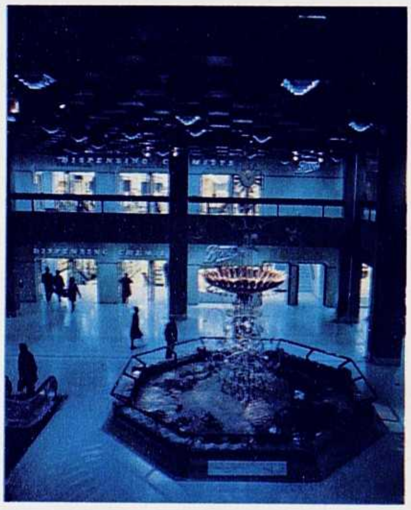
Industrial unrest in the building industry limited the increase in selling space during the year to 150,000 sq. ft., a lower figure than we had planned. This increase, together with a large number of shop modernisation schemes, cost approximately £6m. and brings the total selling space to over 3 million sq. ft.

For the current year we are planning to spend some £10½m. on new shops, extensions and modernisations. The most important developments will be large new shops at Lincoln, Norwich, Bridgend and Chelmsford. We shall be represented for the first time in thirteen new shopping centres and some eighty of our existing branches will be modernised.

We believe that by maintaining the traditional image of our business, which is apparently so well understood and appreciated by the shopping public, by progressively improving our range of merchandise, by keeping our *right:* Alan Spencer, Board Director, discussing the successful Boots 17 Cosmetic range in the Nottingham Victoria Centre branch with the manager, David Downing. At the bottom of the page is a photograph of the immediately famous Emett Water Clock in the mall outside the Victoria Centre branch. This shop, which was opened by Dr. Hobday in May 1972, is currently the Company's largest all-department store.

below: The city-centre branch in Ayr which was refitted during the year contrasts in style with the market-town shop in Oakham, Rutland, re-opened after modernisation last year. Also shown at the base of the page is our branch at Stratford-upon-Avon, with a newly constructed frontage carefully styled to fit in with the surrounding buildings.

opposite page: Exterior and interior pictures of the Timothy Whites branch in Huddersfield. This large store was converted from a Boots branch and re-opened last November.



values good, our prices competitive and our shops attractive, we can continue to grow and prosper.

The **Timothy Whites** chain of houseware shops continues to make good progress. We now have 200 branches with a total sales area of 390,000 sq. ft. Sales have been consistently buoyant throughout the year and showed an overall increase of 28½% over last year. Christmas sales were excellent and the final quarter, prior to the introduction of V.A.T., was particularly good. The net operating profit is almost double that of last year.

During the year new shops were opened at Scunthorpe, High Wycombe, Huddersfield, Ayr, Weybridge, Uxbridge, Corby and Fleet. Because of building disputes the planned openings at Greenock and Bracknell will now take place in the current year. Twenty-six shops have been modernised and some small and unprofitable units closed. In the current year we plan to open new shops in Brighton, Perth, Wokingham, Southport, King's Lynn, Chelmsford, Stockton-on-Tees, Bridgend and Edmonton Green and to modernise a further sixty branches, including major extensions at Basildon and Plymouth.

Much of the extra business has been derived from the basic Timothy Whites inventory groups, viz. Kitchenware, Tableware and Electrical merchandise. With Kitchenware, an aggressive pricing policy has enabled us to record an above-average sales increase of 30%. In China and Glass Tableware we are, with the help of the major British manufacturers, expanding our inventory to meet the growing demand for better quality products. Perhaps the major gain has been in the Electrical field, where our business has increased by nearly three times in two years. We are now expanding the range in our larger branches to include refrigerators, freezers and other major electrical appliances. The decision to reduce our electrical prices a month ahead of the introduction of V.A.T. enhanced our reputation for value. We now accept Barclay and Access credit cards in Timothy Whites stores and we expect that this will assist the growth of business involving merchandise at higher unit prices.

Our small retail operation in **New Zealand**, the only one we have outside the United Kingdom, where we now operate sixteen units comprising ten chemist shops, five Babyboots and one specialising in toiletries and cosmetics, has had a satisfactory year.

Manufacture and Marketing

Our home-based factories, located in Nottingham, Beeston, Airdrie and Basingstoke, make a very wide range of Own Brand products for sale only through our shops. In addition they produce the many specialities which are marketed generally at home and exported to many countries of the world. The total value of our home manufactures in 1972-73 was about £56m. at manufacturers' prices and of this output for the first time more than half was sold through wholesale and retail outlets outside our own shops. Our Own Brands also had another successful year particularly in the field of dietary foods, home brewing and wine making, home care, pet products and cosmetics. Sales of our Nº7 cosmetic range were substantially better than the very high level achieved after its re-launch last year, still, as far as we can see, without any effect on our teenage range Seventeen whose sales increased by over 30%. Amongst other major products which produced big increases in sales were Plurivite M, Vitocee, Soft Rinse and Nappy Cleanse.

Medical Marketing, the department responsible for marketing our wide range of ethical pharmaceutical specialities in the United Kingdom, produced an increase in sales of 18·8% over last year. Brufen contributed substantially to this and sales of this highly successful product rose by 37% over the previous year. It is estimated that no less than 1·6 million prescriptions for Brufen were written during 1972. Sales of Prothiaden continue to grow and showed an increase of 62% over last year.

National marketing of over-the-counter products is now carried out by our Crookes Anestan subsidiary into which the activities of Lenbrook Laboratories have been merged. Following streamlining of the inventory, and despite a down-trend in the intimate deodorant market, sales were maintained

Fashion and Beauty at Boots

right: The summer fashion range on display with beauty accessories.

centre: Part of the Boots Electrical Beauty range.

below: A selection of the new Love cosmetic range, exclusive to Boots in this country.

opposite: One of the attractive matching sets of toilet bags and holdalls.
The successful Nº7 Bath Collection was introduced last year.

Statement by the Chairman *continued*

at the previous year's level. As a consequence of the integration, operating profit increased by 72% over last year. The two brands of sweeteners, Sweetex and Hermesetas, both achieved significant increases in their share of a buoyant market. Together these two brands now account for more than 50% of the sugar substitute market.

Our Agro Chemicals operations had a good year. Boots Farm Sales turnover increased by 15% and is now at a level well in excess of £6m. annually. This company is well established as a major U.K. distributor both of Boots research-based products and those of the leading international companies with whom there is close collaboration. Exports of agro chemicals, despite intense competition, increased by 10% and are expected to grow quickly during the next year when we launch our new insecticide which will be sold both as a miticide on crops and a tickicide for animals.

Our Contract Manufacture and Chemical Marketing group had a successful year with record sales. The group make an important contribution by selling goods manufactured in factory areas not fully committed to the production of our own products.

Exports generally made substantial progress and at a total for the year of £10·9m. increased by 50%. Brufen continues to be our most successful individual product and is now being sold in seventy-eight countries of the world. Since the last report it has been launched in another seven foreign markets, the most notable being France and Italy. In the latter country Brufen has already attained market leadership. In Japan, a difficult and highly competitive market for pharmaceuticals, our licensees Kakenyaku have been outstandingly successful with Brufen and our export sales of the basic drug to that country exceeded £1·25m.

Sales by our subsidiary companies overseas exceeded £13m., an increase of 36% in terms of sterling or 24% taking the re-alignment of international currency parities into account. With the exception of Pakistan, where trading is difficult, all companies produced very good results. The French and Italian companies have done particularly well reflecting the successful sales of Brufen.

Over the last five years the turnover of our overseas business has increased by 240%.

The pressure on our manufacturing plants continued to increase during the year as a result of which we have planned and embarked on a substantial capital investment programme in new production facilities. These include an entirely new pharmaceutical factory of over 250,000 sq. ft. at Beeston, designed to the highest standards and planned to start production in early 1975, and the extension of our Airdrie factory and its conversion primarily to the manufacture of cosmetics and toiletries which are becoming so important to us. In addition, while the extension to the Brufen chemical plant mentioned in the last report came on stream earlier this year, the success of the product is such that construction of a further Brufen plant has begun; this is planned to come on stream in early 1974.

We have also begun a substantial re-building operation on our Sion site in Bombay which will greatly improve the pharmaceutical production and administration facilities and help maintain the excellent progress of our Indian company.

Research and Development

During the past year there has been a further expansion of our medical research activities, particularly those concerned with rheumatism and cardiovascular disease, and this trend will continue. The laboratories we have now established in Paris form an integral part of our research programme on cardiovascular disease and they are making a significant contribution to the progress we are making.

The clinical trial programme on Prothiaden, the antidepressant drug which is gaining increasing acceptance in the United Kingdom, is being widened with a view to registration for marketing in many countries in the world.

Leisure at Boots

right: One of the growing number of specialist Audio departments—an important part of the leisure business.

centre and below: Other examples of our interest in this expanding market—outdoor leisure, home beer and wine-making, photography and Ringplan stationery accessories.

We have taken further the clinical trial programme of the new antirheumatic product mentioned in the last report. The results continue to be very encouraging and the scope of the trials is being broadened still more.

Reference has been made above to the new insecticide discovered by one of our agricultural research teams in Nottingham. It has important applications in crop protection and animal husbandry in many world markets. We are now engaged in a comprehensive international programme of product registrations.

Staff

The Directors express their sincere appreciation of the efforts during the year of staff at all levels. It has been a year of good industrial relations and the effective co-operation between management and staff has enabled us to take advantage of the favourable trading conditions and produce our record results.

The burden of extra work imposed on our retail staff by the change-over from Purchase Tax to V.A.T. was enormous. The marked prices of many thousands of items of stock had to be changed in a short period of time. This exacting but boring task was carried out with great cheerfulness and we are most grateful to our retail colleagues for the way in which they always cope with matters of this kind.

In a year when the staff as a whole have given of their best, many have suffered some degree of disappointment because wage or salary increases were limited or delayed under the Government's Counter-Inflation measures. In such circumstances the Profit Sharing Scheme, which the Company initiated almost twenty years ago, assumes a special importance and the Board are pleased that the Government measures permit payment in full of a record bonus of over £5m. to be shared among the staff according to individual pay and years of service.

A source of great satisfaction during the year to management and staff alike was the further substantial improvements to the Company pension schemes. Boots pension schemes are contributory but the Company pays into the funds twice the aggregate contributions of the staff. With prudent investment over the years the Pension Funds have grown to over £75m. at current market values.

The important improvements are that all pensions are now based on final pay, there is generous provision of widow and dependant pensions for death in service and a 50% pension continues automatically to widow or dependants should the member die first in retirement. Boots pension schemes anticipate very fully the 1975 requirements for recognition under the Social Security Bill.

The pensioners themselves have also benefited by a further increase and the extension to them of the automatic widow and dependant pension provisions. The increase in Boots pensions over the past decade has been more than sufficient to maintain their purchasing power at a time of increasing living costs.

The Company feels a certain responsibility for former Timothy Whites staff who were in retirement on fixed pensions at the time of the merger. We have, therefore, recently increased all these pensions to bring them into line with present-day living costs.

below: Examples of the growing range of Timothy Whites own brands.

The Future

Over the last few years particularly, the Company has made substantial progress in both parts of its business, retail and non-retail. We have already decided that the non-retail side, depending primarily on the marketing of research-based products, has to see the world as its market. The U.K. pharmaceutical and agro chemical markets, important as they are, remain far too small in isolation to support the scale of research effort which is necessary nowadays in order to give a chance of survival against massive international competition. We saw the proposed merger with Glaxo as a means of safeguarding our non-retail future by association with another

Work has just started on the new £3½m. tableting factory at the Beeston site. Gerry Wilkes, Board Director and Laurence Peatfield, Project Manager, are seen here with a model of the plant.

below: Field trials are carried out by the Agro Chemical Division in many parts of the world and here a worker is shown testing a new pesticide in Japan.

centre: Margaret McGowan, one of the team in the Quality Control Laboratory, undertakes one of the many tests on the new range of 'Love' cosmetics being produced at the Airdrie factory in Scotland.

lower left: Coating Brufen tablets in the Paris factory of our subsidiary C. David Rabot S.A.—Pierre Jérome, head of the Coating Section is seen here with Danielle L'Hermite.

lower centre and right: From Nigeria come these pictures of other overseas activities—Francis Erakpotobor one of our Area Sales Managers talking to a pharmacist storekeeper, and Miss Victoria Andero, a Lady Gay salesgirl promoting our products at an open market in Ibadan.

successful research-based company with marketing skills and facilities augmenting very substantially our still comparatively small overseas operations. We remain convinced that the merger would have been good for Boots, for Glaxo and for Britain. Unfortunately the Monopolies Commission, while agreeing that the merger was not against the public interest in any other respect, recommended against it in their belief that it would have the effect of reducing research activity. Since the Government have accepted the Monopolies Commission's recommendations, presumably for wider political reasons, there is no point in commenting any further except to say that the Monopolies Commission's report in this regard seems to be at variance with the views of others experienced in the problems and technicalities of pharmaceutical research. We shall continue to press on with the development of our non-retail business and try to solve in some other way the problems which would have become so much less formidable had the merger proceeded.

In contrast to our non-retail business which has to look for world markets, our retail business has been for many years almost exclusively concerned only with the home market. But now, particularly since we are members of the E.E.C., we have to ask ourselves what is the home market. Should we not extend our retail horizons at least into Europe and perhaps beyond? We believe that, in contrast to our non-retail business, there is still a great deal of scope for development of our retail operations in the United Kingdom and we intend to continue along the successful lines we have been following. At the same time, notwithstanding some difficulties concerning the different patterns of pharmaceutical retailing in Europe, we are studying closely ways and means of extending our retail expertise into markets outside this country.

The special measures which the Government have taken to control inflation will of course have some effects on our operations. Since in the long run the success of our retail business in this country is related to the spending power of the public, we support the Government in their attempts to stabilise the economy and generate real improvements in the standard of living. We regret that the particular rules they have adopted to control prices and profits in Phase 2 penalise not the inefficient companies but the successful ones, like ours, on a rising trend of profitability. We shall, of course, do our best to conform with the requirements of the Price Commission but we hope that the rules in Phase 3 may be less rigid. It is not possible at this point in time to say what effect Phase 2 will have on our trading in 1973-74 but insofar as Boots policy is always to provide good quality merchandise at competitive prices, a policy which has always enabled us to maintain the impetus of increasing volume of sales, we should not be too apprehensive about the future.

The Board

Mr. W. R. Norman retired from the Company at the end of December 1972. He had been a member of the Board for twenty-one years and Chairman since 1961. Mr. Norman was so well known as Chairman of our Company that any panegyric from me would be superfluous. My colleagues and I would like to record our thanks to him for all he has done for the Company and for the help and encouragement he has given to so many individuals personally. We wish him a long and happy retirement.

Sir James Pitman, K.B.E., retired from the Board in October 1972 having been one of our non-executive Directors for twenty-one years. He served our Company during particularly important phases of its development and we are most grateful to him for the wise and friendly counsel which he always gave. We wish him, too, a long and happy retirement.

The Board honoured me by appointing me as the new Chairman and Mr. D. E. M. Appleby was appointed Managing Director at the same time. As from 9th February Mr. F. W. Wright, M.P.S., and Mr. H. J. Hann were appointed to the Board; both have had distinguished careers in the retail side of our business.

Sources and applications of funds for the year ended 31st March 1973

	1973 £m	1972 £m
Sources of funds from within the group		
Profit for the year	**56·7**	34·2
Depreciation	**5·6**	5·2
Sales of fixed assets	**1·7**	2·8
Sources of funds from outside the group	**—**	—
	64·0	42·2
Applications of funds		
Capital expenditure	**11·9**	10·6
Increases in working capital	**4·7**	1·0
Taxation and dividends paid	**19·0**	18·6
Other applications	**1·1**	2·9
Increase in short term investments and cash balances	**27·3**	9·1
	64·0	42·2

Group profit and loss account for the year ended 31st March 1973

	Notes		1973 £000	1972 £000
Net world sales			**368,067**	303,540
Trading profit	2		**57,575**	35,097
Deduct interest on loan capital			**850**	855
Profit before taxation			**56,725**	34,242
Deduct taxation	3		**22,814**	14,543
Profit after taxation			**33,911**	19,699
Deduct profit attributable to minority interests			**83**	86
Profit attributable to shareholders	4		**33,828**	19,613
Deduct **dividends payable and proposed**				
Interim payable of **2·0000p** per share (1972 2p paid)			**3,562**	3,562
Proposed final of **3·7750p** per share including tax credit (1972 3·5p paid)		**6,723**		6,233
Less tax credit of **1·1325p** per share		**2,017**		
Final dividend payable of **2·6425p** per share			**4,706**	
Profit retained			**25,560**	9,818
Earnings per share	5		**19·0p**	11·0p

Group balance sheet 31st March 1973

Sources of capital		Notes		1973 £000		1972 £000
Shareholders' interests						
	Share capital	6		**44,521**		44,521
	Share premium			**3,289**		3,289
	Reserves	7		**85,694**		60,134
				133,504		107,944
Loan capital		8		**12,301**		12,347
Minority interests				**491**		516
Deferred taxation		1		**3,766**		4,430
				150,062		125,237

Employment of capital		Notes	1973 £000	1973 £000	1972 £000	1972 £000
Fixed assets		9		**104,547**		99,469
Unquoted investments		11		**42**		34
Net current assets	Stock	1	**56,249**		48,344	
	Debtors		**20,850**		17,609	
	Cash and short term investments		**46,236**		18,697	
			123,335		84,650	
	Less:					
	Creditors		**40,859**		34,399	
	Due to bankers	12	**4,352**		4,131	
	Taxation	3	**24,383**		14,153	
	Interim dividend		**3,562**		—	
	Final dividend		**4,706**		6,233	
			77,862		58,916	
				45,473		25,734
				150,062		125,237

G. I. HOBDAY
D. E. M. APPLEBY | Directors

The notes on pages 22 to 25 form part of the accounts

Company balance sheet — 31st March 1973

Sources of capital		Notes		1973 £000		1972 £000
Shareholders' interests						
	Share capital	6		**44,521**		44,521
	Share premium			**3,289**		3,289
	Reserves	7		**45,018**		26,998
				92,828		74,808
Loan capital		8		**8,187**		8,187
Deferred taxation		1		**—**		1,421
				101,015		84,416

Employment of capital		Notes	1973 £000	1973 £000	1972 £000	1972 £000
Fixed assets		9		**20,533**		19,769
Subsidiaries		10		**54,501**		59,386
Net current assets	Stock	1	**23,562**		19,335	
	Debtors		**14,250**		11,075	
	Cash and short term investments		**44,653**		17,860	
			82,465		48,270	
	Less:					
	Creditors		**32,201**		27,411	
	Due to bankers		**3,831**		3,723	
	Taxation	3	**12,184**		5,642	
	Interim dividend		**3,562**		—	
	Final dividend		**4,706**		6,233	
			56,484		43,009	
				25,981		5,261
				101,015		84,416

G. I. HOBDAY
D. E. M. APPLEBY
Directors

The notes on pages 22 to 25 form part of the accounts

Notes relating to the accounts

1. Accounting policies

(a) Depreciation

Depreciation is calculated to write off assets during their expected normal lives. Buildings and shop fixtures and fittings are depreciated in equal annual instalments, and plant, including vehicles, by fixed percentages of residual book values.

(b) Stock

Stock is valued at the lower of cost and net realisable value. Cost of manufactured goods comprises direct labour, materials and factory overheads, certain administration overheads being included in the cost of finished products. Warehouse and delivery costs are not included in the valuation of retail stocks.

(c) Subsidiaries

(i) Accounts of overseas subsidiaries have been converted into sterling at rates of exchange approximating to those ruling at 31st March 1973.

(ii) The accounts of overseas subsidiaries have been made up to 31st December 1972 in order to facilitate early presentation of group accounts.

(d) Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

(e) Deferred taxation

Deferred taxation represents the effect of the allocation for taxation purposes of income and expenditure (including depreciation) to periods different from those used for accounting purposes. Advance corporation tax attributable to the proposed final dividend has been deducted from this provision.

2. Trading profit (see note 1)

		1973 £000		**1972 £000**
(a) Trading profit is after adding:				
Income from short term investments		**2,534**		870
Income from unquoted investments		**1**		1
and after deducting: Depreciation		**5,566**		5,177
Profit earning bonus for staff		**5,193**		3,059
Bank and other short term interest		**141**		159
Computer and plant hire		**388**		347
Remuneration of auditors		**37**		32
Remuneration of directors of parent company:				
As directors	**11**		12	
As executives	**232**		173	
Past director's pension	**1**		1	
		244		186
(b) Remuneration of directors:				
Present chairman (highest paid director including £9,000 as chairman)		**36**		25
Former chairman		**13**		18
Others:		**Number**		Number
£22,501 to £25,000		**1**		—
£20,001 to £22,500		**2**		—
£17,501 to £20,000		**—**		1
£15,001 to £17,500		**2**		3
£12,501 to £15,000		**—**		1
£10,001 to £12,500		**—**		1
Under £2,500		**6**		5
(c) Number of employees earning:				
£12,501 to £15,000		**1**		—
£10,001 to £12,500		**28**		2

(d) The trading profit includes a total of £791,000 chiefly relating to surpluses arising on currency realignments and sales of properties. Similar transactions in the previous year were dealt with through reserves and amounted to a loss of £450,000.

Notes relating to the accounts continued

3. Taxation

The amount charged for taxation on the profit of the year consists of:

	1973 £000	1972 £000
UK corporation tax at 40%	**22,103**	13,953
Deduct relief for overseas taxation	**295**	178
Total UK taxation	**21,808**	13,775
Overseas taxation	**1,006**	768
Charge to profit and loss account	**22,814**	14,543

Advance corporation tax relief arising from dividends paid by group companies after 31st March 1973 will accrue in 1973/74 or thereafter. Relief has been included in the accounts solely in respect of that relating to the company's proposed final dividend.

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries.

4. Profit retained by parent company

	1973 £000	1972 £000
Attributable to shareholders	**33,828**	19,613
Deduct profit retained by subsidiaries	**7,540**	4,311
Profit of parent company	**26,288**	15,302
Deduct dividends payable and proposed	**8,268**	9,795
Retained by parent company	**18,020**	5,507

5. Earnings per share

The calculation of earnings per share is based on earnings of £33,828,000 (1972 £19,613,000) and 178,083,968 ordinary shares in issue throughout the two years ended 31st March 1973.

6. Share capital

		1973 £000	1972 £000
Ordinary shares of 25p each:	Authorised	**50,000**	50,000
	Issued and fully paid	**44,521**	44,521

7. Reserves

	Group £000	Parent £000
At 31st March 1972	**60,134**	**26,998**
Profit retained	**25,560**	**18,020**
At 31st March 1973	**85,694**	**45,018**

Notes relating to the accounts continued

8. Loan capital

			1973 £000	1972 £000
PARENT Unsecured:		6% loan stock 1978/83	**2,066**	2,066
		7¾% loan stock 1988/93	**6,121**	6,121
			8,187	8,187
SUBSIDIARIES				
Secured:		3¼% first mortgage debenture stock 1982	**1,000**	1,000
		4⅞% mortgage loan	**317**	321
		7¼% mortgage loan 1993	**—**	24
Unsecured:		6¼% loan stock 1983/88	**1,136**	1,143
		8% loan stock 1986/91	**1,637**	1,660
		Others	**24**	12
			12,301	12,347

(a) All loans are repayable at par, except the 8% loan stock, which is repayable at £105 per cent.
(b) The 4⅞% mortgage loan is repayable after 1st March 1977 on notice from the lenders.
(c) The 6¼% and 8% loan stocks are redeemable by yearly sinking funds.

9. Fixed assets

		GROUP			PARENT		
		Property £000	Fixtures and plant £000	Total £000	Property £000	Fixtures and plant £000	Total £000
Cost or valuation	At 1st April 1972	85,250	51,399	136,649	16,417	18,746	35,163
	Capital expenditure	5,326	6,561	11,887	260	2,265	2,525
	Disposals	(1,198)	(2,074)	(3,272)	(35)	(525)	(560)
	Transfers and adjustments	134	134	268	—	91	91
	At 31st March 1973	89,512	56,020	145,532	16,642	20,577	37,219
	Cost	38,376	56,020	94,396	6,970	20,577	27,547
	Independent valuation 1958	9,683	—	9,683	9,672	—	9,672
	1959	1,416	—	1,416	—	—	—
	1965	38,937	—	38,937	—	—	—
	Directors' valuation 1971	1,100	—	1,100	—	—	—
		89,512	56,020	145,532	16,642	20,577	37,219
Depreciation	At 1st April 1972	12,076	25,104	37,180	4,449	10,945	15,394
	Depreciation for year (note 1)	1,545	4,021	5,566	406	1,281	1,687
	Disposals	(231)	(1,634)	(1,865)	(9)	(402)	(411)
	Transfers and adjustments	24	80	104	—	16	16
	At 31st March 1973	13,414	27,571	40,985	4,846	11,840	16,686
Net book value at 31st March 1973		76,098	28,449	104,547	11,796	8,737	20,533

(a) The tenure of properties is as follows:

	Freehold £000	Long lease £000	Short lease £000	Total £000	Freehold £000	Long lease £000	Short lease £000	Total £000
Cost or valuation	68,138	10,285	11,089	89,512	15,852	51	739	16,642
Depreciation	8,486	1,117	3,811	13,414	4,527	13	306	4,846
Net book value	59,652	9,168	7,278	76,098	11,325	38	433	11,796

(b) Future capital expenditure approved by the directors and not provided for in these accounts is as follows:

	Group 1973 £000	Group 1972 £000	Parent 1973 £000	Parent 1972 £000
Contracts placed	**11,129**	5,429	**2,536**	921
Contracts not placed	**5,897**	2,885	**3,880**	176
	17,026	8,314	**6,416**	1,097

Notes relating to the accounts continued

10. Subsidiaries

		1973 £000	1972 £000
(a) Investments:	At book value of net assets at acquisition	**15,268**	15,268
	At par or cost, less provisions	**12,614**	12,489
		27,882	27,757
(b) Loans:	Due to parent	**11,134**	11,236
	Due to subsidiaries	**(27)**	(23)
Current accounts:			
	Due to parent	**18,127**	22,270
	Due to subsidiaries	**(2,615)**	(1,854)
		26,619	31,629
		54,501	59,386

(c) A list of the principal subsidiaries is shown on page 6.

11. Unquoted investments

Unquoted investments of the group are valued by the directors at £50,000. A subsidiary has a shareholding of approximately 30% in Beacon Products Ltd. which operates in Eire. The latest audited accounts to 31st December 1971 showed issued share capital of £48,400 and reserves of approximately £7,000. Since that date the issued capital has been increased to 51,900 ordinary shares of £1 each.

12. Due to bankers

Overdrafts of certain overseas subsidiaries amounting to £420,000 at 31st December 1972 (1971, £241,000) were secured on the assets of those subsidiaries.

13. Contingent liabilities

Certain overseas subsidiaries had discounted bills of exchange at 31st December 1972 amounting to £266,000.

14. Company status

The Boots Company Ltd. is not a close company.

Report of the auditors to the members of The Boots Company Limited

We have examined the balance sheet and group accounts and the statement of sources and applications of funds set out on pages 18 to 25. The accounts of certain subsidiaries have been audited by other firms.

In our opinion the balance sheet and the group accounts comply with the Companies Acts, 1948 and 1967, and give respectively a true and fair view of the state of the company's affairs at 31st March 1973 and, so far as concerns members of the company, a true and fair view of the state of affairs and of the profit of the group.

In our opinion the statement on page 18 gives a true and fair view of the sources and applications of the group's funds for the year ended 31st March 1973.

PEAT, MARWICK, MITCHELL & CO., Chartered accountants, Birmingham and London.
17th May 1973

Group financial record

		£m 1973
Sources of capital	Share capital	44·5
	Reserves	89·0
	Shareholders' interests	133·5
	Preference and loan capital	12·3
	Other sources	4·3
		150·1
*Employment of capital	Fixed assets	104·5
	Net current assets	45·6
		150·1
Sales and profits	**Net world sales**	368·1
	Profit before taxation	56·7
	Taxation	22·8
		33·9
	Minority interests	·1
	Dividends (gross)	10·3
	Tax credit on dividends	(2·0)
Funds retained	Profit retained	25·5
	Depreciation	5·6
		31·1
Capital expenditure		11·9
Other statistics	Earnings per share	19·0p
	Dividend per share (including tax credit) adjusted for scrip issues	5·775p
	Dividend % adjusted for scrip issues	23·1
	*Profit (before interest on loan capital and taxation) as % of net book value of capital employed	38·4

*The book value of the group's property which exceeds 50% of the capital employed is, in the opinion of the directors, substantially below its current value.
†Including a revaluation surplus.
‡Including preference dividends.

1972	1971	1970	1969	1968	1967	1966	1965	1964
44·5	44·5	44·5	44·5	38·4	38·4	38·4	38·4	25·6
63·4	54·9	49·5	45·4	39·1	35·1	31·8	25·4	22·6
107·9	99·4	94·0	89·9	77·5	73·5	70·2	63·8	48·2
12·4	12·4	12·5	12·6	2·1	2·1	2·1	2·1	3·5
4·9	4·0	3·9	5·4	3·8	3·1	2·7	2·5	2·2
125·2	115·8	110·4	107·9	83·4	78·7	75·0	68·4	53·9
99·5	95·8	91·9	89·8	70·4	67·5	63·4	†58·7	42·4
25·7	20·0	18·5	18·1	13·0	11·2	11·6	9·7	11·5
125·2	115·8	110·4	107·9	83·4	78·7	75·0	68·4	53·9
303·5	257·4	223·9	212·2	161·6	150·9	142·8	130·0	119·3
34·2	25·0	20·2	19·1	16·8	14·9	15·2	14·9	11·6
14·5	10·7	9·2	9·1	7·6	6·0	5·7	8·0	6·2
19·7	14·3	11·0	10·0	9·2	8·9	9·5	6·9	5·4
·1	—	—	—	—	—	—	—	—
9·8	8·5	7·6	6·7	5·6	5·4	5·4	‡4·7	‡3·9
—	—	—	—	—	—	(1·8)	(1·9)	(1·5)
9·8	5·8	3·4	3·3	3·6	3·5	5·9	4·1	3·0
5·2	4·9	4·4	4·2	3·6	3·2	2·9	2·5	2·3
15·0	10·7	7·8	7·5	7·2	6·7	8·8	6·6	5·3
10·6	9·5	8·3	6·2	6·9	8·1	8·4	7·5	4·8
11·0p	8·0p	6·2p	5·6p	6·0p	5·8p	6·2p	Not comparable	
5·5p	4·8p	4·3p	3·7p	3·6p	3·5p	3·5p	3·0p	2·5p
22·0	19·0	17·0	14·999	14·49	14·0	14·0	12·0	10·0
28·0	22·3	19·1	18·4	20·3	19·0	20·5	20·6	21·8

Shareholders' interests

Shareholdings range	Shareholders Number	%	Shares Number	%
1—500	65,131	56·4	15,607,201	8·7
501—1,000	23,372	20·2	17,643,015	9·9
1,001—10,000	25,947	22·5	62,952,656	35·4
10,001—100,000	948	·8	24,702,711	13·9
100,001—1,000,000	150	·1	38,078,884	21·4
Over 1,000,000	10	—	19,099,501	10·7
	115,558		178,083,968	

Category of shareholders	Shareholders Number	%	Shares Number	%
Pension funds	234	·2	7,138,274	4·0
Insurance companies	370	·3	23,441,808	13·2
Investment trusts	379	·3	7,323,160	4·1
Bank and nominee companies	6,055	5·2	38,802,275	21·8
Other corporate bodies	1,134	1·0	9,410,702	5·3
Other shareholders	107,386	93·0	91,967,749	51·6
	115,558		178,083,968	

The directors are not aware that any person holds 10% or more of the share capital of the company on 21st May 1973.

Directors' shareholdings and transactions

The names of the directors and the interests of each director and his family in the share and loan capital of the company at 31st March 1973 are shown below. Holdings at 1st April 1972, or at the date of appointment within the year, are shown in brackets where these differ.

	Number of shares Beneficially held	Otherwise held	Loan stock All beneficially held
G. I. Hobday, Chairman	10,000	—	£101
D. E. M. Appleby, Managing director	1,600 (1,400)	—	—
J. H. Arkell, C.B.E.	1,500 (1,000)	—	—
L. A. Coombs	1,900 (1,000)	—	—
H. J. Hann	475	200	—
B. Jefferies	2,000 (1,650)	—	£177
Lord Redmayne, P.C., D.S.O.	2,000	—	—
A. D. Spencer	1,350 (1,250)	—	—
M. J. Verey	3,650	10,300	—
A. G. S. Wilkes	354	—	—
F. W. Wright	150	—	—

Directors' holdings at 21st May 1973 are unchanged.

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